

# Office of Risk Management



## CLAIMS-RELATED SAVINGS

Item #	Recommendation	Priority	Difficulty 1 – Simple 5 – Complex	Estimated Net Savings
1	End abandonment of liability files to defense counsel.	High	5	\$4,200,000 per year (20% of defense cost)
2	Implement cross-functional team concept.	High	5	\$3,780,000 per year based on assumption of 3% reduction in losses, less \$75,000)
3	Eliminate one layer of management.	High	3	\$410,500 in salaries, benefits, and equipment/space once budget realized after attrition
4	Replace existing <i>Corporate Systems</i> with integrated risk management information system.	High	5	\$400,000 annual license fee plus additional fees charges for enhancements
5	Design and implement a total litigation management program.	High	5	\$1,674,342 per year based on additional 10% defense cost elimination

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6	Maximum caseloads should be set and observed for all adjuster and examiner positions.	High	1	\$5,040,000 annually based on 4% reduction in total claim costs due to improved responsiveness, aggressive handling
7	Design and institute formal training program allocating 7% of available people hours in years 1 and 2, and 6% in subsequent years.	High	4	\$1,000,000 per year estimate difficult to quantify overall savings stemming from a highly trained work force; savings will be real and significant
8	Supplement existing passive PPO network with managed care network in workers' compensation.	High	3	\$1,638,000 based on additional 5% savings on both medical and indemnity expenses
9	Add position of Special Investigations Coordinator to combat fraud.	High	3	\$1,685,000 based on savings of 2% of total claim payouts
10	Centralize subrogation and SIF operations in Recovery Team.	High	2	\$1,105,400 based on additional recovery of 1% of total paid
11	Implement document imaging/workflow management system.	High	4	\$0 Year 1 \$264,904 Year 2 \$437,452 for Years 3+ (reduction of three net clerical positions, 20% reduction in adjusters)

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12	Replace duplicate DRL billing system with hourly system based on annual cost per full time equivalent attorney; integrate billing into Claims and Accounting systems.	High	3	\$27,126 + based on change from current process. Savings of 2/3 FTW in reduced processing.
13	Redesign layout in new facility to accommodate flexible changes; eliminate file room if document imaging approved.	High	2	square footage devoted to central file room
14	Increase adjuster and supervisory payment authority levels.	High	1	\$95,241 based on 4% productivity improvement in supervisors and adjusters
15	Add two Workers' Compensation Claim Examiner positions.	High	1	additional cost would be recovered through reduced medical costs on cases managed, at a minimum
16	Add one Medical Malpractice Adjuster position.	High	1	position is needed to handle expected claim volume; no actual savings are anticipated.
17	Establish Critical Success Factors.	High	4	cannot quantify at this time; effective goals and controls such as these will provide improved operating results.
18	Design and implement orientation programs for all new hires.	High	3	hard to quantify savings; turnover will reduce; early mistakes can be reduced.



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19	Design and implement exception reports as means of increased internal monitoring and control.	High	4	\$100,000 in amortized annual savings as a result of fraud activity and inefficient work activity eliminated/ caught early
20	Require current Action Plan in all adjuster files.	High	2	cannot quantify at this time but this is the key step in concluding claims.
21	Design and create creative closing opportunities to better manage file closure.	High	2	\$186,320 in savings from reduced staff
22	Design, develop and implement annual departmental operating plans to support strategic plan and to organize department-level planned activities.	High	4	necessary to implement programs, activities, etc for incremental improvement and attainment of strategic goals.
23	Require all settlement negotiations be performed by ORM personnel; provide negotiating training to adjusters and supervisors.	High	3	\$502,302.57 based on 3% reduction in net legal fees after previous DRL reductions. Further savings from improved negotiations should be expected.
24	Integrate medical bill review vendor services into claim management system to avoid duplicate entry.	High	4	preserves adjuster productivity resulting in savings shown in item #23.

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25	Eliminate one Medical Malpractice Supervisor position.	High	1	\$71,240
26	Create uniform diary system.	High	1	\$47, 516 based on 2% overall increase in adjuster productivity
27	Implement uniform file notes / documentation system.	High	1	cannot quantify at this time
28	Implement bottom up/top down budget process with monthly budget variance reports and controls by department.	High	3	\$40,000 based on 2% reduction in \$2,000,0000 non-personnel portion of operating budget
29	Implement aggressive Return-to-work policy in workers' compensation.	High	3	see recent "Cut the Fat Report"
30	Improve format and readability of customer quarterly loss runs.	High	4	cannot quantify at this time; current loss runs do not contain reserve information leaving customer with incomplete severity picture
31	Independent adjusters used early to gather facts / make contact on designated claims.	High	1	\$400,000 per year (more if successful on major claim)

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32	Create executive vision and specific performance standards.	High	2	cannot quantify, but real value.
33	Restrict final authority on claim payment decisions to internal staff.	High	5	\$1,260,000 based on 1% loss payout reduction.
34	Institute insurance certificate renewal review for vendors and subcontractors.	Medium	1	cannot quantify at this time
35	Allow adjusters to enter new claim data and payment data into claims management system.	Medium	2	\$143,850 based on elimination of five clerical positions
36	Add part-time medical director position.	Medium	1	\$120,000 based on savings from unnecessary pre-certifications, peer reviews, plus professional guidance on complex claim closures
37	Add telephonic medical case manager as pilot in workers' compensation.	Medium	3	\$56,000 based on assumption that this position saves twice its cost in reduced vendor reliance; improved quality
38	Research implementation of catastrophic workers' compensation claims review by independent firm.	Medium	3	25% per catastrophic claim injury handled

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39	Implement quantitative monitors for control of claim operations.	Medium	4	\$400,000* (defer if new claims system for 02-03)
40	Generate RTW rates by unit as targets in workers' compensation.	Medium	4	see item 30
41	Review satellite office concept; determine feasibility of home-based adjusters handling task assignments only.	Medium	3	\$400,000 per year inclusive of savings on rental space and reduced dependency on independent adjuster (based on move to task assignments and virtual office)
42	Integrate legal contracting into claim management system.	Medium	5	\$311,023 based on 4% improvement in adjuster productivity
43	Reduce 36-month repair / replace time limit to 18 months; implement process to allow claims to close within 6 months unless agency expresses intent to act.	Medium	3	\$10,960 from 20% increases in senior property adjuster productivity; reduces caseload in property and eliminates unnecessary reserves
44	Review loss coding for claims; determine data that will be desired over the next 10 years for analytical purposes. Modify system as needed.	Medium	5	cannot quantify value of meaningful data, but it is mandatory to run a risk management operation size of ORM; current data captured is insufficient

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45	Integrate BI indexing, OWC reporting, etc. into claim system.	Medium	5	\$47,512 based on 2% productivity gain
46	Centralize litigation log; place on shared drive; capture cause of litigation for trending purposes.	Medium	1	0; another element in overall litigation management program
47	Accept first reports of loss directly from claimants.	Medium	1	\$30,000 in savings from claims that do not go to attorney representation
48	Reduce time to enter claims into system. Enter all claims if handled.	Medium	1	enhanced data integrity
49	Implement program to discourage late reporting by agencies.	Medium	2	\$210,000 based on annual loss dollar savings equaling 0.5% of loss dollar payout.
50	Create a contingency plan to determine the order of payments in times of recognized shortfalls in budget appropriations.	Medium	2	0; necessary to avoid litigation
51	Adopt bill review services in the Medical Malpractice Future Medical Unit.	Medium	1	\$250,000 basic estimate assuming \$5,000,000 paid annually
52	Define field contact requirements for workers' compensation files.	Low	1	see item 30 for total savings



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53	Handle all employee coverage issues within the organization.	Low	1	\$35,000 based on reduction of billable hours and elimination of dual outside firm contracts after DRL "contamination"
54	Eliminate practice of flagging second injury fund recoveries to vendor; concentrate on early identification and capture within contract.	Low	2	\$77,998 Year 1 \$129,996 Year 2 based on 33% fee reduction Year 1; 50% Year 2 reduction
55	Design and implement a medication cost containment program.	Low	4	\$60,576 Year 1 \$78,576 Year 2+
56	Institute tuition reimbursement programs including reimbursement for general higher education and approved professional degree programs.	Low	2	based on limit of \$1,500 per employee with 33% participation
57	Research and apply for alternate funding grant programs for special projects	Low	4	\$48,000 Year 1 \$70,000 Year 2+ based on targeted \$70,000 annually
58	Research role of adjuster and implications for organizational design and systems needs.	Low	5	cannot quantify at this time; study needs to be completed prior to decisions made on claim management system; there is the potential here for large savings.
59	Review daily "forecast" with eye towards elimination.	Low	2	Forecast takes supervisory time while providing false sense of internal control

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60	Improve the telephone system for outside callers; install telephone monitoring and measuring software.	Low	3	improved customer satisfaction
61	Create "Agency Board of Review" for support and feedback to the Division of Administration.	Low	3	cannot quantify at this time; depends on leadership of new executive management team
62	Design and implement Ethical Conduct Program.	Low	4	part of recommended internal fraud reduction program
	<b>TOTALS-YEAR 1</b>			<b>\$27,069,295.57</b>
	<b>(Salaries are estimated inclusive of benefits.)</b>			

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## ACCOUNTING-RELATED SAVINGS

Item #	Recommendation	Priority	Difficulty 1 – Simple 5 – Complex	Estimated Net Savings
1	Build electronic interface between accounting functions of <i>Corporate Systems</i> (or new risk management information system) and state systems including <i>ISIS</i> , <i>SLABS</i> , <i>CFMS</i> and <i>AGPS</i> to better support data extraction and population.	High	5	\$434,980 based on headcount reduction of 11 including related equipment and space
	TOTAL			\$434,980

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## UNDERWRITING-RELATED SAVINGS

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Item #	Recommendation	Priority	Difficulty 1-Simple 5-Complex	Estimated Net Savings
1	Institute improved bid process for purchased insurance to eliminate single entities blocking market.	High	5	not individually quantified
2	Select single qualified broker via RFQ to assist with insurance placement and overall structure of risk insurance program.	High	5	\$1,000,000 based on 5% improvement in cost of purchased insurance.
3	Establish an annual procedure for contract review to identify changes in risk exposures and develop alternatives.	High	4	not individually quantified
4	Cease present practice of calculating cost of equivalent commercial costs and imputed savings; requires legislation to amend RS 39:1537, item (6).	Medium	2	not individually quantified
5	Preparation of succession plan to replace exiting talent within department.	Medium	2	not individually quantified
6	Formalize process of review and update of procedures.	Low	3	not individually quantified

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	TOTAL			\$1,000,000
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## LOSS PREVENTION-RELATED SAVINGS

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Item #	Recommendation	Priority	Difficulty 1-Simple 5-Complex	Estimated Net Savings
1	License and install an electronic safety management data system; specify learning management in electronic safety management information system.	High	5	\$1,906,000 based on 15% reduction in Workers' Compensation loss costs in Yr 2 & 3. Plus savings in loss cost reduction in other lines of insurance is also expected but not estimated; plus \$496,320 savings in safety audit time by Loss Prevention Officers in year 2 and 3; plus \$580,272 savings in safety student time in year 2 and 3 plus \$732,117 savings in driver training student time.
2	Expand Road Hazard Committee functions.	High	4	\$1,750,000 based on expected 5% reduction in annual paid road hazard losses
3	Conduct operational assessment of all state medical service agencies.	High	2	\$1,000,000 based on expected 5% reduction in annual paid losses per Medical Malpractice Contract from focused Loss Prevention plan

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4	Use frequency reduction and average claim cost to measure ROI for target loss prevention.	High	2	no measurable additional costs; action needed to calculate savings on other items.
5	Use equally-developed loss cost to measure overall loss prevention success.	High	2	no measurable additional costs; action needed to calculate savings on other items.
6	Give agencies complete loss data.	High	1	not individually quantified
7	Revise the standards for passing the safety audit.	High	3	included in item 1



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8	Use Safety Professional Standards to qualify Loss Prevention Officers.	High	4	included in item 1
9	Use Safety Professional Standards to qualify Loss Prevention Officers.	High	4	included in item 1
10	Set a statewide goal for 15% reduction in Workers' Compensation loss cost and tie it to employee incentives.	High	2	included in item 1
11	Test students who attend training courses.	High	2	not individually quantified
12	Revise, issue and adhere to a Loss Prevention Policy and Procedure manual.	High	2	not individually quantified
13	Management should perform follow-up audits to monitor performance of Loss Prevention Officers.	High	1	not individually quantified
14	Form a task force to re-evaluate cause-of-loss codes and use of codes.	High	2	not individually quantified
15	Establish and communicate procedures for accident investigations.	High	2	not individually quantified
16	Create Cause-of-Loss target budget.	High	1	\$200,000 based on minimum required

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				ROI of 100% to get target projects funded
	TOTAL			\$6,664,709 plus additional expected savings from items not quantified